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October 25, 2013

**VIA ELECTRONIC FILING**

Mrs. Jocelyn G. Boyd  
Chief Clerk/Administrator  
Public Service Commission of South Carolina  
101 Executive Center Drive, Suite 100  
Columbia, South Carolina 29201

**RE: Application Regarding the Acquisition of Progress Energy, Incorporated by  
Duke Energy Corporation and Merger of Progress Energy Carolinas,  
Incorporated and Duke Energy Carolinas, LLC  
Docket No. 2011-158-E**

Dear Mrs. Boyd:

In Order No. 2012-517 Approving Joint Dispatch Agreement ("JDA") issued by the Commission on July 11, 2012, in Docket No. 2011-158-E, the Commission conditioned its approval of the JDA on, among other things, Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, Inc.'s ("DEP", formerly known as "PEC") commitment to give to South Carolina customers the protections of the revised Regulatory Conditions and Code of Conduct.

The revised Regulatory Conditions contain several provisions relating to the location of Core Utility Functions and the Transfer of Services, Functions, Departments, Employees, Rights, Assets, or Liabilities. Regulatory Condition 5.3, which addresses the location of Core Utility Functions, states:

Core utility functions (i.e., those that are considered public utility operations and support functions) will be part of DEC and PEC and the employees performing these functions will be DEC and PEC employees and not service company employees of DEBS or PESC. If in the future DEC or PEC desires to move these functions to another entity, Regulatory Condition 13.2 will apply and 30 days' advance notice will be required.

Regulatory Condition 5.3 then goes on to list the types of functions that are considered core utility functions.

Regulatory Condition 10.1, which addresses Transfer of Services, Functions, Departments, Employees, Rights, Assets, or Liabilities, states:

DEC and PEC shall file notice with the Commission 30 days prior to the initial transfer or any subsequent transfer of any services, functions, departments, employees, rights, obligations, assets, or liabilities from DEC or PEC to DEBS, PESC, Duke Energy, another Affiliate, or a Nonpublic Utility Operation that (a) involves services, functions, departments, employees, right, obligations, assets, or liabilities other than those of a governance or corporate type nature that traditionally have been provided by a service company or (b) potentially would have a significant effect on DEC's or PEC's public utility operations. The provisions of Regulatory Condition 13.2 apply to an advance notice filed pursuant to this Regulatory Condition.

Pursuant to these Revised Regulatory Conditions, DEC and DEP are filing this letter to report that certain employee transfers from DEC and DEP to Duke Energy Business Services ("DEBS") have inadvertently occurred without complying with the advance notice requirement of revised Regulatory Condition 10.1.

Specifically, Duke Energy's Corporate Compliance Department has discovered that 13 employees were transferred out of DEC or DEP to DEBS without providing the advanced notice as required in revised Regulatory Condition 10.1. As a result, the Company has started a further review of its employee transfer process to evaluate whether there may be further payroll company misalignment. Thus far, although there does not appear to have been additional transfers without proper notice, it does appear there may be some payroll company misalignment carryover from the merger. The Company will continue its review and, if necessary, come back to the Commission with recommendations or a request for change. In the interim, the Company plans to address the 13 employees' payroll company designations on January 1, 2014, and has instructed all managers to communicate with Corporate Compliance before transferring a DEC or DEP employee's payroll company.

If you have should have any questions please call me.

Sincerely,



Timika Shafeek-Horton  
Deputy General Counsel

The Honorable Jocelyn G. Boyd  
Chief Clerk/Administrator  
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cc: Shannon B. Hudson, Esq.  
Courtney D. Edwards, Esq.  
Nanette Edwards, Esq.  
Parties of Record